

Conference Engrossed

FILED

**JANICE K. BREWER
SECRETARY OF STATE**

State of Arizona
House of Representatives
Forty-seventh Legislature
Second Regular Session
2006

CHAPTER 331

HOUSE BILL 2371

AN ACT

AMENDING SECTIONS 11-292 AND 32-901, ARIZONA REVISED STATUTES; AMENDING SECTION 36-341, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2004, CHAPTER 117, SECTION 8; REPEALING SECTION 36-341, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2004, CHAPTER 117, SECTION 9; AMENDING SECTION 36-341.01, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 5.1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-574; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2901.06; AMENDING SECTION 36-2903.01, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2921; AMENDING SECTIONS 36-2941, 36-2959 AND 36-3403, ARIZONA REVISED STATUTES; REPEALING SECTION 36-3415, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 34, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 36-3415; AMENDING SECTIONS 38-654 AND 41-1542, ARIZONA REVISED STATUTES; REPEALING LAWS 2004, CHAPTER 117, SECTIONS 12 AND 13; MAKING APPROPRIATIONS; RELATING TO HEALTH AND WELFARE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 11-292, Arizona Revised Statutes, is amended to read:

11-292. Medical care; definition

A. The board of supervisors, subject to the applicable provisions of title 42, chapter 17, articles 2 and 3, shall include in its annual budget an amount equal to fifty per cent of the amount budgeted by the county board of supervisors or the amount expended, whichever is less, for the hospitalization and medical care of the indigent sick pursuant to this article for fiscal year 1980-1981, except for Yuma and La Paz counties. The contribution amounts of those counties shall be equal to the amount Yuma county would have made pursuant to this subsection if a division had not occurred apportioned between the counties. The office of the auditor general shall determine the amount Yuma county would otherwise have included if a division had not occurred and shall then determine the contribution amounts of Yuma and La Paz counties based on the proportionate share of the estimated population in these counties as of July 1, 1982.

B. For fiscal year 1994-1995, and for each fiscal year thereafter, the state treasurer shall withhold an amount sufficient to meet the county portion of the nonfederal costs of providing long-term care system services, pursuant to title 36, chapter 29, article 2, excluding services to the developmentally disabled, from monies otherwise payable to the county under section 42-5029, subsection D, paragraph 2. This amount and the state portion of the nonfederal costs shall be specified in the annual appropriation for the maintenance and operation of the Arizona health care cost containment system. For fiscal years 1994-1995, 1995-1996 and 1996-1997, monies shall be withheld from each county based on the following percentages derived from a state auditor general's certified audit of fiscal year 1987-1988 county long-term care and home health care expenditures, except that amounts withheld shall be adjusted to reflect amounts paid by counties pursuant to section 36-2952:

1. Apache:	0.22%
2. Cochise:	2.49%
3. Coconino:	0.66%
4. Gila:	2.56%
5. Graham:	0.64%
6. Greenlee:	0.34%
7. La Paz:	0.34%
8. Maricopa:	56.55%
9. Mohave:	2.73%
10. Navajo:	0.91%
11. Pima:	20.55%

1 D. The director of the Arizona health care cost containment system
2 administration shall notify each county of the amount determined pursuant to
3 subsection A of this section to be included in its annual budget no later
4 than May 1 of each year.

5 E. If a county does not provide funding as specified in subsection A
6 of this section, the state treasurer shall subtract the amount owed to the
7 Arizona health care cost containment system fund by the county from any
8 payments required to be made by the state treasurer to that county pursuant
9 to section 42-5029, subsection D, paragraph 2, plus interest on that amount
10 pursuant to section 44-1201 retroactive to the first day the funding was due.
11 If the monies the state treasurer withholds are insufficient to meet that
12 county's funding requirement as specified in subsection A of this section,
13 the state treasurer shall withhold from any other monies payable to that
14 county from whatever state funding source is available an amount necessary to
15 fulfill that county's requirement. The state treasurer shall not withhold
16 distributions from the highway user revenue fund pursuant to title 28,
17 chapter 18, article 2.

18 F. Each month payment of an amount equal to one-twelfth of the total
19 amount determined pursuant to subsection A of this section shall be made to
20 the state treasurer. ~~Beginning October 1, 1989,~~ Payment of this amount shall
21 be made to the state treasurer on or before the fifth day of each
22 month. Upon request from the director of the Arizona health care cost
23 containment system administration, the state treasurer shall require that up
24 to three months' payments be made in advance, if necessary.

25 G. The state treasurer shall deposit the amounts paid pursuant to
26 subsection F of this section and amounts withheld pursuant to subsection E of
27 this section in the Arizona health care cost containment system fund
28 established pursuant to BY section 36-2913.

29 H. If payments made pursuant to subsection F of this section exceed
30 the amount required to meet the costs incurred by the Arizona health care
31 cost containment system for the hospitalization and medical care of a person
32 who is defined as an eligible person pursuant to section 36-2901, paragraph
33 6, subdivision (a), the director of the Arizona health care cost containment
34 system administration may instruct the state treasurer either to reduce
35 remaining payments to be paid pursuant to this section by a specified amount
36 or to provide to the counties specified amounts from the Arizona health care
37 cost containment system fund.

38 I. The amount of the county contribution to the Arizona health care
39 cost containment system fund established ~~in~~ BY section 36-2913 shall not
40 exceed thirty-three per cent of the amount that the system administration
41 expended in the county for fiscal year 1983-1984. For the purposes of this
42 subsection, system administration expenditures in a county for fiscal year
43 1983-1984 are the total capitation and fee for service amounts paid by the
44 system administration to providers in a county before February 1, 1986 for

1 services rendered during fiscal year 1983-1984 to persons eligible for the
2 system.

3 J. The state treasurer shall deposit amounts withheld pursuant to
4 subsection E of this section in the Arizona health care cost containment
5 system fund established by section 36-2913.

6 K. The state treasurer shall deposit the monies withheld from the
7 counties and contributed by the state pursuant to subsection B of this
8 section in the long-term care system fund established by section 36-2913, in
9 twelve equal monthly installments. The monthly installments shall be
10 deposited in the fund by the state treasurer by the fourth working day of
11 each month.

12 L. By July 1 or within sixty days after enactment of the annual
13 appropriation for the maintenance and operation of the Arizona health care
14 cost containment system, whichever is later, and after consulting with the
15 joint legislative budget committee and the governor's office of strategic
16 planning and budgeting, the state treasurer shall notify each county of the
17 amount to be withheld pursuant to subsection B of this section.

18 M. If the monies deposited in the long-term care system fund pursuant
19 to subsection K of this section are insufficient to meet the funding
20 requirement as specified in the annual appropriation for the maintenance and
21 operation of the Arizona health care cost containment system pursuant to
22 subsection B of this section, the state treasurer shall withhold from any
23 other monies payable to that county from any available state funding source,
24 other than the highway user revenue fund, the amount required to fulfill
25 fifty per cent of the funding requirement and shall deposit the monies in the
26 long-term care system fund. The state shall pay the remaining fifty per cent
27 of the funding requirement.

28 N. If any monies in the funds for the purpose of title 36, chapter 29,
29 article 2 remain unexpended at the end of the fiscal year, the director of
30 the Arizona health care cost containment system administration shall specify
31 to the state treasurer the amount to be withdrawn from the long-term care
32 system fund. Of the amount specified, the state treasurer shall distribute
33 fifty per cent to the counties pursuant to subsection B or C of this section.
34 The remaining fifty per cent shall be distributed to the state.

35 O. The board of supervisors of a county that is a program contractor
36 pursuant to section 36-2940 shall include in its annual budget, subject to
37 title 42, chapter 17, articles 2 and 3, monies received from the Arizona
38 health care cost containment system fund and long-term care system fund for
39 the purposes of title 36, chapter 29, article 2.

40 P. Notwithstanding any law to the contrary, beginning in fiscal year
41 2005-2006 and in each fiscal year thereafter, the state treasurer shall
42 withhold a total of two million three hundred ninety-five thousand four
43 hundred dollars for the county contribution for the administrative costs of
44 implementing sections 36-2901.01 and 36-2901.04 beginning with the second
45 monthly distribution of transaction privilege tax revenues otherwise

1 distributable after subtracting any amounts withheld for the county long-term
2 care contribution. Beginning in fiscal year 2006-2007, the state treasurer
3 shall adjust the amount withheld according to the annual changes in the GDP
4 price deflator and as calculated by the joint legislative budget committee
5 staff. Beginning in fiscal year 2006-2007, the joint legislative budget
6 committee shall calculate an additional adjustment of the allocation required
7 by this subsection based on changes in the population as reported by the
8 department of economic security. For the purposes of this subsection, "GDP
9 price deflator" has the same meaning prescribed in section 41-563. Each
10 county's annual contribution is as follows:

- 11 1. Apache, 3.296 per cent.
- 12 2. Cochise, 6.148 per cent.
- 13 3. Coconino, 6.065 per cent.
- 14 4. Gila, 2.491 per cent.
- 15 5. Graham, ~~1.7110~~ 1.7710 per cent.
- 16 6. Greenlee, 0.455 per cent.
- 17 7. La Paz, 0.9430 per cent.
- 18 8. Mohave, 7.079 per cent.
- 19 9. Navajo, 4.640 per cent.
- 20 10. Pima, 42.168 per cent.
- 21 11. Pinal, 8.251 per cent.
- 22 12. Santa Cruz, 1.950 per cent.
- 23 13. Yavapai, 7.794 per cent.
- 24 14. Yuma, 6.949 per cent.

25 Q. The state treasurer shall deposit the amounts paid pursuant to
26 subsection P of this section in the budget neutrality compliance fund
27 established by section 36-2928.

28 R. For the purposes of this section, "net assessed value" includes the
29 values used to determine voluntary contributions collected pursuant to title
30 9, chapter 4, article 3 and title 48, chapter 1, article 8.

31 Sec. 2. Section 32-901, Arizona Revised Statutes, is amended to read:

32 32-901. Board of chiropractic examiners; removal; immunity

33 A. There shall be a state board of chiropractic examiners consisting
34 of three licensed chiropractors and two consumer members appointed by the
35 governor. One member shall be appointed each year for a term of five years,
36 to begin and end on July 1.

37 B. Each member of the board shall be a resident of this state, and
38 each of the licensed chiropractic members shall have practiced chiropractic
39 in this state for not less than three years. No two chiropractic members of
40 the board shall be graduates of the same school or college of
41 chiropractic. The two consumer members of the board shall not be in any
42 manner connected with, or have an interest in, any college or school of
43 chiropractic or any person practicing any form of healing or treatment of
44 bodily or mental ailments. A BOARD MEMBER SHALL NOT RECEIVE COMPENSATION AS
45 AN AGENT OR EMPLOYEE OF OR A CONTRACTOR FOR AN INSURANCE COMPANY. THIS

1 SUBSECTION DOES NOT PREVENT A BOARD MEMBER WHO IS A LICENSED CHIROPRACTOR
2 FROM RECEIVING COMPENSATION FROM AN INSURANCE COMPANY FOR PATIENT CARE AS
3 PROVIDED FOR IN A PATIENT'S INSURANCE POLICY.

4 C. Board members, prior to entering upon their duties, shall take an
5 oath prescribed by law and in addition shall make an oath as to their
6 qualifications as prescribed in this section.

7 D. Board members may be removed by the governor for neglect of duty,
8 malfeasance or misfeasance in office. Vacancies occurring on the board other
9 than by expiration of a term shall be filled for the unexpired portion of the
10 term by appointment in the same manner as regular appointments.

11 E. No member of the board may serve more than two consecutive terms.

12 F. A board member who acts within his authority is personally immune
13 from civil liability with respect to all actions he takes in good faith
14 pursuant to this chapter.

15 Sec. 3. Section 36-341, Arizona Revised Statutes, as added by Laws
16 2004, chapter 117, section 8, is amended to read:

17 36-341. Fees received by state and local registrars

18 A. The state registrar shall establish by rule the fees, if any, to be
19 charged for searches, copies of registered certificates, certified copies of
20 registered certificates, amending registered certificates and correcting
21 certificates THAT ARE PROCESSED BY THE DEPARTMENT. A LOCAL REGISTRAR MAY
22 ESTABLISH THE LOCAL REGISTRAR'S OWN FEES TO BE CHARGED FOR SEARCHES, COPIES
23 OF REGISTERED CERTIFICATES, CERTIFIED COPIES OF REGISTERED CERTIFICATES,
24 AMENDING REGISTERED CERTIFICATES AND CORRECTING CERTIFICATES AS DETERMINED
25 NECESSARY BY THE LOCAL ENTITY.

26 B. In addition to fees collected pursuant to subsection A of this
27 section, the state registrar shall assess an additional one dollar surcharge
28 on fees for all certified copies of registered birth certificates. The state
29 registrar shall deposit, pursuant to sections 35-146 and 35-147, all monies
30 received from the surcharge in the confidential intermediary and fiduciary
31 fund established by section 8-135.

32 C. The state registrar shall keep a true and accurate account of all
33 fees collected by the state registrar under this chapter and, ~~until July 1,~~
34 ~~2006,~~ shall deposit, pursuant to sections 35-146 and 35-147, forty per cent
35 of these monies in the vital records electronic systems fund established by
36 section 36-341.01 and the remaining sixty per cent in the state general
37 fund. ~~Beginning on July 1, 2006, the state registrar shall deposit, pursuant~~
38 ~~to sections 35-146 and 35-147, all of these monies in the state general fund.~~

39 D. A local registrar shall keep a true and accurate account of all
40 fees collected by the local registrar under this chapter and shall deposit
41 them with the county treasurer to be credited to a special registration and
42 statistical revenue account of the health department fund.

43 E. In addition to fees collected pursuant to subsection A of this
44 section, the department shall assess an additional one dollar surcharge on
45 fees for all certified copies of registered death certificates. The

1 department shall deposit, pursuant to sections 35-146 and 35-147, monies
2 received from the surcharge in the child fatality review fund established by
3 section 36-3504.

4 F. The state registrar AND LOCAL REGISTRARS may exempt an agency as
5 defined in section 41-1001 from any fee required by this section, section
6 8-135 or section 36-3504.

7 Sec. 4. Repeal

8 Section 36-341, Arizona Revised Statutes, as amended by Laws 2004,
9 chapter 117, section 9, is repealed.

10 Sec. 5. Section 36-341.01, Arizona Revised Statutes, is amended to
11 read:

12 36-341.01. Vital records electronic systems fund; purpose:
13 nonlapsing

14 A. The vital records electronic systems fund is established consisting
15 of monies collected pursuant to section 36-341. The director shall
16 administer the fund. The director shall use fund monies for costs associated
17 with the vital records automation system.

18 B. Fund monies:

19 1. Do not revert to the state general fund.

20 ~~2. Are exempt from the provisions of section 35-190 relating to~~
21 ~~lapsing of appropriations.~~

22 ~~3. Are continuously appropriated.~~

23 2. ARE SUBJECT TO LEGISLATIVE APPROPRIATION.

24 C. On notice from the director, the state treasurer shall invest and
25 divest the monies in the fund as provided by section 35-313, and monies
26 earned from investment shall be credited to the fund.

27 Sec. 6. Title 36, chapter 5.1, article 1, Arizona Revised Statutes, is
28 amended by adding section 36-574, to read:

29 36-574. Children's autism services; contract

30 SUBJECT TO LEGISLATIVE APPROPRIATION, IN ADDITION TO ANY EXISTING
31 AUTISM SERVICES, THE DEPARTMENT MAY PROVIDE CHILDREN'S AUTISM SERVICES
32 THROUGH THE DIVISION OF DEVELOPMENTAL DISABILITIES TO SERVE CHILDREN WHO
33 HAVE, OR WHO ARE AT RISK OF HAVING, AUTISM BY ENTERING INTO A CONTRACT WITH
34 ANY ORGANIZATION FOR TRAINING AND OVERSIGHT OF HABILITATION WORKERS TO
35 UTILIZE INTENSIVE BEHAVIORAL TREATMENT THROUGH APPLIED BEHAVIORAL ANALYSIS.

36 Sec. 7. Title 36, chapter 29, article 1, Arizona Revised Statutes, is
37 amended by adding section 36-2901.06, to read:

38 36-2901.06. Capitation rate adjustments; limitation

39 CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF EXISTING
40 SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR EXPANSION
41 OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE OR ARE SPECIFICALLY
42 REQUIRED BY FEDERAL LAW OR COURT MANDATE.

1 Sec. 8. Section 36-2903.01, Arizona Revised Statutes, is amended to
2 read:

3 36-2903.01. Additional powers and duties

4 A. The director of the Arizona health care cost containment system
5 administration may adopt rules that provide that the system may withhold or
6 forfeit payments to be made to a noncontracting provider by the system if the
7 noncontracting provider fails to comply with this article, the provider
8 agreement or rules that are adopted pursuant to this article and that relate
9 to the specific services rendered for which a claim for payment is made.

10 B. The director shall:

11 1. Prescribe uniform forms to be used by all contractors. The rules
12 shall require a written and signed application by the applicant or an
13 applicant's authorized representative, or, if the person is incompetent or
14 incapacitated, a family member or a person acting responsibly for the
15 applicant may obtain a signature or a reasonable facsimile and file the
16 application as prescribed by the administration.

17 2. Enter into an interagency agreement with the department to
18 establish a streamlined eligibility process to determine the eligibility of
19 all persons defined pursuant to section 36-2901, paragraph 6, subdivision
20 (a). At the administration's option, the interagency agreement may allow the
21 administration to determine the eligibility of certain persons including
22 those defined pursuant to section 36-2901, paragraph 6, subdivision (a).

23 3. Enter into an intergovernmental agreement with the department to:

24 (a) Establish an expedited eligibility and enrollment process for all
25 persons who are hospitalized at the time of application.

26 (b) Establish performance measures and incentives for the department.

27 (c) Establish the process for management evaluation reviews that the
28 administration shall perform to evaluate the eligibility determination
29 functions performed by the department.

30 (d) Establish eligibility quality control reviews by the
31 administration.

32 (e) Require the department to adopt rules, consistent with the rules
33 adopted by the administration for a hearing process, that applicants or
34 members may use for appeals of eligibility determinations or
35 redeterminations.

36 (f) Establish the department's responsibility to place sufficient
37 eligibility workers at federally qualified health centers to screen for
38 eligibility and at hospital sites and level one trauma centers to ensure that
39 persons seeking hospital services are screened on a timely basis for
40 eligibility for the system, including a process to ensure that applications
41 for the system can be accepted on a twenty-four hour basis, seven days a
42 week.

43 (g) Withhold payments based on the allowable sanctions for errors in
44 eligibility determinations or redeterminations or failure to meet performance
45 measures required by the intergovernmental agreement.

1 (h) Recoup from the department all federal fiscal sanctions that
2 result from the department's inaccurate eligibility determinations. The
3 director may offset all or part of a sanction if the department submits a
4 corrective action plan and a strategy to remedy the error.

5 4. By rule establish a procedure and time frames for the intake of
6 grievances and requests for hearings, for the continuation of benefits and
7 services during the appeal process and for a grievance process at the
8 contractor level. Notwithstanding sections 41-1092.02, 41-1092.03 and
9 41-1092.05, the administration shall develop rules to establish the procedure
10 and time frame for the informal resolution of grievances and appeals. A
11 grievance that is not related to a claim for payment of system covered
12 services shall be filed in writing with and received by the administration or
13 the prepaid capitated provider or program contractor not later than sixty
14 days after the date of the adverse action, decision or policy implementation
15 being grieved. A grievance that is related to a claim for payment of system
16 covered services must be filed in writing and received by the administration
17 or the prepaid capitated provider or program contractor within twelve months
18 after the date of service, within twelve months after the date that
19 eligibility is posted or within sixty days after the date of the denial of a
20 timely claim submission, whichever is later. A grievance for the denial of a
21 claim for reimbursement of services may contest the validity of any adverse
22 action, decision, policy implementation or rule that related to or resulted
23 in the full or partial denial of the claim. A policy implementation may be
24 subject to a grievance procedure, but it may not be appealed for a hearing.
25 The administration is not required to participate in a mandatory settlement
26 conference if it is not a real party in interest. In any proceeding before
27 the administration, including a grievance or hearing, persons may represent
28 themselves or be represented by a duly authorized agent who is not charging a
29 fee. A legal entity may be represented by an officer, partner or employee
30 who is specifically authorized by the legal entity to represent it in the
31 particular proceeding.

32 5. Apply for and accept federal funds available under title XIX of the
33 social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section
34 1396 (1980)) in support of the system. The application made by the director
35 pursuant to this paragraph shall be designed to qualify for federal funding
36 primarily on a prepaid capitated basis. Such funds may be used only for the
37 support of persons defined as eligible pursuant to title XIX of the social
38 security act or the approved section 1115 waiver.

39 6. At least thirty days before the implementation of a policy or a
40 change to an existing policy relating to reimbursement, provide notice to
41 interested parties. Parties interested in receiving notification of policy
42 changes shall submit a written request for notification to the
43 administration.

44 C. The director is authorized to apply for any federal funds available
45 for the support of programs to investigate and prosecute violations arising

1 from the administration and operation of the system. Available state funds
2 appropriated for the administration and operation of the system may be used
3 as matching funds to secure federal funds pursuant to this subsection.

4 D. The director may adopt rules or procedures to do the following:

5 1. Authorize advance payments based on estimated liability to a
6 contractor or a noncontracting provider after the contractor or
7 noncontracting provider has submitted a claim for services and before the
8 claim is ultimately resolved. The rules shall specify that any advance
9 payment shall be conditioned on the execution before payment of a contract
10 with the contractor or noncontracting provider that requires the
11 administration to retain a specified percentage, which shall be at least
12 twenty per cent, of the claimed amount as security and that requires
13 repayment to the administration if the administration makes any overpayment.

14 2. Defer liability, in whole or in part, of contractors for care
15 provided to members who are hospitalized on the date of enrollment or under
16 other circumstances. Payment shall be on a capped fee-for-service basis for
17 services other than hospital services and at the rate established pursuant to
18 subsection G or H of this section for hospital services or at the rate paid
19 by the health plan, whichever is less.

20 3. Deputize, in writing, any qualified officer or employee in the
21 administration to perform any act that the director by law is empowered to do
22 or charged with the responsibility of doing, including the authority to issue
23 final administrative decisions pursuant to section 41-1092.08.

24 4. Notwithstanding any other law, require persons eligible pursuant to
25 section 36-2901, paragraph 6, subdivision (a), section 36-2931, paragraph 5
26 and section 36-2981, paragraph 6 to be financially responsible for any cost
27 sharing requirements established in a state plan or a section 1115 waiver and
28 approved by the centers for medicare and medicaid services. Cost sharing
29 requirements may include copayments, coinsurance, deductibles, enrollment
30 fees and monthly premiums for enrolled members, including households with
31 children enrolled in the Arizona long-term care system.

32 E. The director shall adopt rules which further specify the medical
33 care and hospital services which are covered by the system pursuant to
34 section 36-2907.

35 F. In addition to the rules otherwise specified in this article, the
36 director may adopt necessary rules pursuant to title 41, chapter 6 to carry
37 out this article. Rules adopted by the director pursuant to this subsection
38 shall consider the differences between rural and urban conditions on the
39 delivery of hospitalization and medical care.

40 G. For inpatient hospital admissions and all outpatient hospital
41 services before March 1, 1993, the administration shall reimburse a
42 hospital's adjusted billed charges according to the following procedures:

43 1. The director shall adopt rules that, for services rendered from and
44 after September 30, 1985 until October 1, 1986, define "adjusted billed

1 charges" as that reimbursement level that has the effect of holding constant
2 whichever of the following is applicable:

3 (a) The schedule of rates and charges for a hospital in effect on
4 April 1, 1984 as filed pursuant to chapter 4, article 3 of this title.

5 (b) The schedule of rates and charges for a hospital that became
6 effective after May 31, 1984 but before July 2, 1984, if the hospital's
7 previous rate schedule became effective before April 30, 1983.

8 (c) The schedule of rates and charges for a hospital that became
9 effective after May 31, 1984 but before July 2, 1984, limited to five per
10 cent over the hospital's previous rate schedule, and if the hospital's
11 previous rate schedule became effective on or after April 30, 1983 but before
12 October 1, 1983. For the purposes of this paragraph, "constant" means equal
13 to or lower than.

14 2. The director shall adopt rules that, for services rendered from and
15 after September 30, 1986, define "adjusted billed charges" as that
16 reimbursement level that has the effect of increasing by four per cent a
17 hospital's reimbursement level in effect on October 1, 1985 as prescribed in
18 paragraph 1 of this subsection. Beginning January 1, 1991, the Arizona
19 health care cost containment system administration shall define "adjusted
20 billed charges" as the reimbursement level determined pursuant to this
21 section, increased by two and one-half per cent.

22 3. In no event shall a hospital's adjusted billed charges exceed the
23 hospital's schedule of rates and charges filed with the department of health
24 services and in effect pursuant to chapter 4, article 3 of this title.

25 4. For services rendered the administration shall not pay a hospital's
26 adjusted billed charges in excess of the following:

27 (a) If the hospital's bill is paid within thirty days of the date the
28 bill was received, eighty-five per cent of the adjusted billed charges.

29 (b) If the hospital's bill is paid any time after thirty days but
30 within sixty days of the date the bill was received, ninety-five per cent of
31 the adjusted billed charges.

32 (c) If the hospital's bill is paid any time after sixty days of the
33 date the bill was received, one hundred per cent of the adjusted billed
34 charges.

35 5. The director shall define by rule the method of determining when a
36 hospital bill will be considered received and when a hospital's billed
37 charges will be considered paid. Payment received by a hospital from the
38 administration pursuant to this subsection or from a contractor either by
39 contract or pursuant to section 36-2904, subsection I shall be considered
40 payment of the hospital bill in full, except that a hospital may collect any
41 unpaid portion of its bill from other third party payors or in situations
42 covered by title 33, chapter 7, article 3.

43 H. For inpatient hospital admissions and outpatient hospital services
44 on and after March 1, 1993 the administration shall adopt rules for the
45 reimbursement of hospitals according to the following procedures:

1 1. For inpatient hospital stays, the administration shall use a
2 prospective tiered per diem methodology, using hospital peer groups if
3 analysis shows that cost differences can be attributed to independently
4 definable features that hospitals within a peer group share. In peer
5 grouping the administration may consider such factors as length of stay
6 differences and labor market variations. If there are no cost differences,
7 the administration shall implement a stop loss-stop gain or similar
8 mechanism. Any stop loss-stop gain or similar mechanism shall ensure that
9 the tiered per diem rates assigned to a hospital do not represent less than
10 ninety per cent of its 1990 base year costs or more than one hundred ten per
11 cent of its 1990 base year costs, adjusted by an audit factor, during the
12 period of March 1, 1993 through September 30, 1994. The tiered per diem
13 rates set for hospitals shall represent no less than eighty-seven and
14 one-half per cent or more than one hundred twelve and one-half per cent of
15 its 1990 base year costs, adjusted by an audit factor, from October 1, 1994
16 through September 30, 1995 and no less than eighty-five per cent or more than
17 one hundred fifteen per cent of its 1990 base year costs, adjusted by an
18 audit factor, from October 1, 1995 through September 30, 1996. For the
19 periods after September 30, 1996 no stop loss-stop gain or similar mechanisms
20 shall be in effect. An adjustment in the stop loss-stop gain percentage may
21 be made to ensure that total payments do not increase as a result of this
22 provision. If peer groups are used the administration shall establish
23 initial peer group designations for each hospital before implementation of
24 the per diem system. The administration may also use a negotiated rate
25 methodology. The tiered per diem methodology may include separate
26 consideration for specialty hospitals that limit their provision of services
27 to specific patient populations, such as rehabilitative patients or children.
28 The initial per diem rates shall be based on hospital claims and encounter
29 data for dates of service November 1, 1990 through October 31, 1991 and
30 processed through May of 1992.

31 2. For rates effective on October 1, 1994, and annually thereafter,
32 the administration shall adjust tiered per diem payments for inpatient
33 hospital care by the data resources incorporated market basket index for
34 prospective payment system hospitals. For rates effective beginning on
35 October 1, 1999, the administration shall adjust payments to reflect changes
36 in length of stay for the maternity and nursery tiers.

37 3. Through June 30, 2004, for outpatient hospital services, the
38 administration shall reimburse a hospital by applying a hospital specific
39 outpatient cost-to-charge ratio to the covered charges. Beginning on July 1,
40 2004 through June 30, 2005, the administration shall reimburse a hospital by
41 applying a hospital specific outpatient cost-to-charge ratio to covered
42 charges. If the hospital increases its charges for outpatient services filed
43 with the Arizona department of health services pursuant to chapter 4, article
44 3 of this title, by more than 4.7 per cent for dates of service effective on
45 or after July 1, 2004, the hospital specific cost-to-charge ratio will be

1 reduced by the amount that it exceeds 4.7 per cent. If charges exceed 4.7
 2 per cent, the effective date of the increased charges will be the effective
 3 date of the adjusted Arizona health care cost containment system
 4 cost-to-charge ratio. The administration shall develop the methodology for a
 5 capped fee-for-service schedule and a statewide cost-to-charge ratio. Any
 6 covered outpatient service not included in the capped fee-for-service
 7 schedule shall be reimbursed by applying the statewide cost-to-charge ratio
 8 that is based on the services not included in the capped fee-for-service
 9 schedule. Beginning on July 1, 2005, the administration shall reimburse
 10 clean claims with dates of service on or after July 1, 2005, based on the
 11 capped fee-for-service schedule or the statewide cost-to-charge ratio
 12 established pursuant to this paragraph. The administration may make
 13 additional adjustments to the outpatient hospital rates established pursuant
 14 to this section based on other factors, including the number of beds in the
 15 hospital, specialty services available to patients and the geographic
 16 location of the hospital.

17 4. Except if submitted under an electronic claims submission system, a
 18 hospital bill is considered received for purposes of this paragraph on
 19 initial receipt of the legible, error-free claim form by the administration
 20 if the claim includes the following error-free documentation in legible form:

- 21 (a) An admission face sheet.
- 22 (b) An itemized statement.
- 23 (c) An admission history and physical.
- 24 (d) A discharge summary or an interim summary if the claim is split.
- 25 (e) An emergency record, if admission was through the emergency room.
- 26 (f) Operative reports, if applicable.
- 27 (g) A labor and delivery room report, if applicable.

28 Payment received by a hospital from the administration pursuant to this
 29 subsection or from a contractor either by contract or pursuant to section
 30 36-2904, subsection I is considered payment by the administration or the
 31 contractor of the administration's or contractor's liability for the hospital
 32 bill. A hospital may collect any unpaid portion of its bill from other third
 33 party payors or in situations covered by title 33, chapter 7, article 3.

34 5. For services rendered on and after October 1, 1997, the
 35 administration shall pay a hospital's rate established according to this
 36 section subject to the following:

37 (a) If the hospital's bill is paid within thirty days of the date the
 38 bill was received, the administration shall pay ninety-nine per cent of the
 39 rate.

40 (b) If the hospital's bill is paid after thirty days but within sixty
 41 days of the date the bill was received, the administration shall pay one
 42 hundred per cent of the rate.

43 (c) If the hospital's bill is paid any time after sixty days of the
 44 date the bill was received, the administration shall pay one hundred per cent
 45 of the rate plus a fee of one per cent per month for each month or portion of

1 a month following the sixtieth day of receipt of the bill until the date of
2 payment.

3 6. In developing the reimbursement methodology, if a review of the
4 reports filed by a hospital pursuant to section 36-125.04 indicates that
5 further investigation is considered necessary to verify the accuracy of the
6 information in the reports, the administration may examine the hospital's
7 records and accounts related to the reporting requirements of section
8 36-125.04. The administration shall bear the cost incurred in connection
9 with this examination unless the administration finds that the records
10 examined are significantly deficient or incorrect, in which case the
11 administration may charge the cost of the investigation to the hospital
12 examined.

13 7. Except for privileged medical information, the administration shall
14 make available for public inspection the cost and charge data and the
15 calculations used by the administration to determine payments under the
16 tiered per diem system, provided that individual hospitals are not identified
17 by name. The administration shall make the data and calculations available
18 for public inspection during regular business hours and shall provide copies
19 of the data and calculations to individuals requesting such copies within
20 thirty days of receipt of a written request. The administration may charge a
21 reasonable fee for the provision of the data or information.

22 8. The prospective tiered per diem payment methodology for inpatient
23 hospital services shall include a mechanism for the prospective payment of
24 inpatient hospital capital related costs. The capital payment shall include
25 hospital specific and statewide average amounts. For tiered per diem rates
26 beginning on October 1, 1999, the capital related cost component is frozen at
27 the blended rate of forty per cent of the hospital specific capital cost and
28 sixty per cent of the statewide average capital cost in effect as of January
29 1, 1999 and as further adjusted by the calculation of tier rates for
30 maternity and nursery as prescribed by law. The administration shall adjust
31 the capital related cost component by the data resources incorporated market
32 basket index for prospective payment system hospitals.

33 9. FOR GRADUATE MEDICAL EDUCATION PROGRAMS:

34 (a) Beginning September 30, 1997, the administration shall establish a
35 separate graduate medical education program to reimburse hospitals that had
36 graduate medical education programs that were approved by the administration
37 as of October 1, 1999. The administration shall separately account for
38 monies for the graduate medical education program based on the total
39 reimbursement for graduate medical education reimbursed to hospitals by the
40 system in federal fiscal year 1995-1996 pursuant to the tiered per diem
41 methodology specified in this section. The graduate medical education
42 program reimbursement shall be adjusted annually by the increase or decrease
43 in the index published by the ~~data resources incorporated~~ GLOBAL INSIGHT
44 hospital market basket index for prospective hospital reimbursement. Subject
45 to legislative appropriation, on an annual basis, each qualified hospital

1 shall receive a single payment from the graduate medical education program
2 that is equal to the same percentage of graduate medical education
3 reimbursement that was paid by the system in federal fiscal year 1995-1996.
4 Any reimbursement for graduate medical education made by the administration
5 shall not be subject to future settlements or appeals by the hospitals to the
6 administration. THE MONIES AVAILABLE UNDER THIS SUBDIVISION SHALL NOT EXCEED
7 THE FISCAL YEAR 2005-2006 APPROPRIATION ADJUSTED ANNUALLY BY THE INCREASE OR
8 DECREASE IN THE INDEX PUBLISHED BY THE GLOBAL INSIGHT HOSPITAL MARKET BASKET
9 INDEX FOR PROSPECTIVE HOSPITAL REIMBURSEMENT, EXCEPT FOR MONIES DISTRIBUTED
10 FOR EXPANSIONS PURSUANT TO SUBDIVISION (b) OF THIS PARAGRAPH.

11 (b) BEGINNING JULY 1, 2006, THE ADMINISTRATION SHALL DISTRIBUTE ANY
12 MONIES APPROPRIATED FOR GRADUATE MEDICAL EDUCATION ABOVE THE AMOUNT
13 PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH IN THE FOLLOWING ORDER OR
14 PRIORITY:

15 (i) FOR THE DIRECT COSTS TO SUPPORT THE EXPANSION OF GRADUATE MEDICAL
16 EDUCATION PROGRAMS ESTABLISHED BEFORE JULY 1, 2006 AT HOSPITALS THAT DO NOT
17 RECEIVE PAYMENTS PURSUANT TO SUBDIVISION (a) OF THIS PARAGRAPH. THESE
18 PROGRAMS MUST BE APPROVED BY THE ADMINISTRATION.

19 (ii) FOR THE DIRECT COSTS TO SUPPORT THE EXPANSION OF GRADUATE MEDICAL
20 EDUCATION PROGRAMS ESTABLISHED ON OR BEFORE OCTOBER 1, 1999. THESE PROGRAMS
21 MUST BE APPROVED BY THE ADMINISTRATION.

22 (iii) FOR THE DIRECT COSTS OF GRADUATE MEDICAL EDUCATION PROGRAMS
23 ESTABLISHED ON OR AFTER JULY 1, 2006. THESE PROGRAMS MUST BE APPROVED BY THE
24 ADMINISTRATION.

25 (c) THE ADMINISTRATION SHALL DEVELOP, BY RULE, THE FORMULA BY WHICH
26 THE MONIES ARE DISTRIBUTED.

27 (d) EACH GRADUATE MEDICAL EDUCATION PROGRAM THAT RECEIVES FUNDING
28 PURSUANT TO SUBDIVISION (b) OF THIS PARAGRAPH SHALL IDENTIFY AND REPORT TO
29 THE ADMINISTRATION THE NUMBER OF NEW RESIDENCY POSITIONS CREATED BY THE
30 FUNDING PROVIDED IN THIS PARAGRAPH, INCLUDING POSITIONS IN RURAL AREAS. THE
31 ADMINISTRATION SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE BY
32 FEBRUARY 1 OF EACH YEAR ON THE NUMBER OF NEW RESIDENCY POSITIONS AS REPORTED
33 BY THE GRADUATE MEDICAL EDUCATION PROGRAMS.

34 (e) FOR THE PURPOSES OF THIS PARAGRAPH, "GRADUATE MEDICAL EDUCATION
35 PROGRAM" MEANS A PROGRAM, INCLUDING AN APPROVED FELLOWSHIP, THAT PREPARES A
36 PHYSICIAN FOR THE INDEPENDENT PRACTICE OF MEDICINE BY PROVIDING DIDACTIC AND
37 CLINICAL EDUCATION IN A MEDICAL DISCIPLINE TO A MEDICAL STUDENT WHO HAS
38 COMPLETED A RECOGNIZED UNDERGRADUATE MEDICAL EDUCATION PROGRAM.

39 10. The prospective tiered per diem payment methodology for inpatient
40 hospital services may include a mechanism for the payment of claims with
41 extraordinary operating costs per day. For tiered per diem rates effective
42 beginning on October 1, 1999, outlier cost thresholds are frozen at the
43 levels in effect on January 1, 1999 and adjusted annually by the
44 administration by the data resources incorporated market basket index for
45 prospective payment system hospitals.

1 11. Notwithstanding section 41-1005, subsection A, paragraph 9, the
2 administration shall adopt rules pursuant to title 41, chapter 6 establishing
3 the methodology for determining the prospective tiered per diem payments.

4 I. The director may adopt rules that specify enrollment procedures
5 including notice to contractors of enrollment. The rules may provide for
6 varying time limits for enrollment in different situations. The
7 administration shall specify in contract when a person who has been
8 determined eligible will be enrolled with that contractor and the date on
9 which the contractor will be financially responsible for health and medical
10 services to the person.

11 J. The administration may make direct payments to hospitals for
12 hospitalization and medical care provided to a member in accordance with this
13 article and rules. The director may adopt rules to establish the procedures
14 by which the administration shall pay hospitals pursuant to this subsection
15 if a contractor fails to make timely payment to a hospital. Such payment
16 shall be at a level determined pursuant to section 36-2904, subsection H or
17 I. The director may withhold payment due to a contractor in the amount of
18 any payment made directly to a hospital by the administration on behalf of a
19 contractor pursuant to this subsection.

20 K. The director shall establish a special unit within the
21 administration for the purpose of monitoring the third party payment
22 collections required by contractors and noncontracting providers pursuant to
23 section 36-2903, subsection B, paragraph 10 and subsection F and section
24 36-2915, subsection E. The director shall determine by rule:

25 1. The type of third party payments to be monitored pursuant to this
26 subsection.

27 2. The percentage of third party payments that is collected by a
28 contractor or noncontracting provider and that the contractor or
29 noncontracting provider may keep and the percentage of such payments that the
30 contractor or noncontracting provider may be required to pay to the
31 administration. Contractors and noncontracting providers must pay to the
32 administration one hundred per cent of all third party payments that are
33 collected and that duplicate administration fee-for-service payments. A
34 contractor that contracts with the administration pursuant to section
35 36-2904, subsection A may be entitled to retain a percentage of third party
36 payments if the payments collected and retained by a contractor are reflected
37 in reduced capitation rates. A contractor may be required to pay the
38 administration a percentage of third party payments that are collected by a
39 contractor and that are not reflected in reduced capitation rates.

40 L. The administration shall establish procedures to apply to the
41 following if a provider that has a contract with a contractor or
42 noncontracting provider seeks to collect from an individual or financially
43 responsible relative or representative a claim that exceeds the amount that
44 is reimbursed or should be reimbursed by the system:

1 1. On written notice from the administration or oral or written notice
2 from a member that a claim for covered services may be in violation of this
3 section, the provider that has a contract with a contractor or noncontracting
4 provider shall investigate the inquiry and verify whether the person was
5 eligible for services at the time that covered services were provided. If
6 the claim was paid or should have been paid by the system, the provider that
7 has a contract with a contractor or noncontracting provider shall not
8 continue billing the member.

9 2. If the claim was paid or should have been paid by the system and
10 the disputed claim has been referred for collection to a collection agency or
11 referred to a credit reporting bureau, the provider that has a contract with
12 a contractor or noncontracting provider shall:

13 (a) Notify the collection agency and request that all attempts to
14 collect this specific charge be terminated immediately.

15 (b) Advise all credit reporting bureaus that the reported delinquency
16 was in error and request that the affected credit report be corrected to
17 remove any notation about this specific delinquency.

18 (c) Notify the administration and the member that the request for
19 payment was in error and that the collection agency and credit reporting
20 bureaus have been notified.

21 3. If the administration determines that a provider that has a
22 contract with a contractor or noncontracting provider has billed a member for
23 charges that were paid or should have been paid by the administration, the
24 administration shall send written notification by certified mail or other
25 service with proof of delivery to the provider that has a contract with a
26 contractor or noncontracting provider stating that this billing is in
27 violation of federal and state law. If, twenty-one days or more after
28 receiving the notification, a provider that has a contract with a contractor
29 or noncontracting provider knowingly continues billing a member for charges
30 that were paid or should have been paid by the system, the administration may
31 assess a civil penalty in an amount equal to three times the amount of the
32 billing and reduce payment to the provider that has a contract with a
33 contractor or noncontracting provider accordingly. Receipt of delivery
34 signed by the addressee or the addressee's employee is prima facie evidence
35 of knowledge. Civil penalties collected pursuant to this subsection shall be
36 deposited in the state general fund. Section 36-2918, subsections C, D and
37 F, relating to the imposition, collection and enforcement of civil penalties,
38 ~~applies~~ APPLY to civil penalties imposed pursuant to this paragraph.

39 M. The administration may conduct postpayment review of all claims
40 paid by the administration and may recoup any monies erroneously paid. The
41 director may adopt rules that specify procedures for conducting postpayment
42 review. A contractor may conduct a postpayment review of all claims paid by
43 the contractor and may recoup monies that are erroneously paid.

1 N. The director or the director's designee may employ and supervise
2 personnel necessary to assist the director in performing the functions of the
3 administration.

4 O. The administration may contract with contractors for obstetrical
5 care who are eligible to provide services under title XIX of the social
6 security act.

7 P. Notwithstanding any law to the contrary, on federal approval the
8 administration may make disproportionate share payments to private hospitals,
9 county operated hospitals, including hospitals owned or leased by a special
10 health care district, and state operated institutions for mental disease
11 beginning October 1, 1991 in accordance with federal law and subject to
12 legislative appropriation. If at any time the administration receives
13 written notification from federal authorities of any change or difference in
14 the actual or estimated amount of federal funds available for
15 disproportionate share payments from the amount reflected in the legislative
16 appropriation for such purposes, the administration shall provide written
17 notification of such change or difference to the president and the minority
18 leader of the senate, the speaker and the minority leader of the house of
19 representatives, the director of the joint legislative budget committee, the
20 legislative committee of reference and any hospital trade association within
21 this state, within three working days not including weekends after receipt of
22 the notice of the change or difference. In calculating disproportionate
23 share payments as prescribed in this section, the administration may use
24 either a methodology based on claims and encounter data that is submitted to
25 the administration from contractors or a methodology based on data that is
26 reported to the administration by private hospitals and state operated
27 institutions for mental disease. The selected methodology applies to all
28 private hospitals and state operated institutions for mental disease
29 qualifying for disproportionate share payments.

30 Q. Notwithstanding any law to the contrary, the administration may
31 receive confidential adoption information to determine whether an adopted
32 child should be terminated from the system.

33 R. The adoption agency or the adoption attorney shall notify the
34 administration within thirty days after an eligible person receiving services
35 has placed that person's child for adoption.

36 S. If the administration implements an electronic claims submission
37 system it may adopt procedures pursuant to subsection H of this section
38 requiring documentation different than prescribed under subsection H,
39 paragraph 4 of this section.

40 Sec. 9. Title 36, chapter 29, article 1, Arizona Revised Statutes, is
41 amended by adding section 36-2921, to read:

42 36-2921. Hospital loan program; residencies; fund; program
43 termination

44 A. THE ADMINISTRATION SHALL ESTABLISH A HOSPITAL LOAN PROGRAM TO FUND
45 START-UP AND ONGOING COSTS FOR RESIDENCY PROGRAMS IN ACCREDITED HOSPITALS.

1 B. HOSPITALS RECEIVING LOANS PURSUANT TO SUBSECTION C OF THIS SECTION
2 MUST PARTNER WITH ARIZONA-BASED ACCREDITED ALLOPATHIC OR OSTEOPATHIC MEDICAL
3 SCHOOLS. RESIDENCY PROGRAMS AT HOSPITALS RECEIVING LOANS PURSUANT TO
4 SUBSECTION C OF THIS SECTION MAY ACCEPT RESIDENTS FROM IN-STATE OR
5 OUT-OF-STATE PUBLIC OR PRIVATE MEDICAL SCHOOLS.

6 C. INTEREST-FREE LOANS MAY BE PROVIDED IN AN AMOUNT OF UP TO FIVE
7 HUNDRED THOUSAND DOLLARS PER YEAR FOR ONE HOSPITAL PER COUNTY IF THE HOSPITAL
8 ESTABLISHES A NEW RESIDENCY PROGRAM OF AT LEAST SIX RESIDENTS OR ADDS A NEW
9 SPECIALTY AREA TO AN EXISTING RESIDENCY PROGRAM WITH AT LEAST FOUR NEW
10 RESIDENTS.

11 D. THE ADMINISTRATION SHALL DISTRIBUTE LOANS IN THE FOLLOWING ORDER OF
12 PRIORITY:

13 1. FOR NEW OR EXPANDED RESIDENCY PROGRAMS IN ACCREDITED HOSPITALS IN
14 COUNTIES WITH A POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS THAT
15 SUBMIT LOAN APPLICATIONS ON OR BEFORE SEPTEMBER 1, 2007.

16 2. FOR NEW OR EXPANDED RESIDENCY PROGRAMS IN ACCREDITED HOSPITALS IN
17 ANY COUNTY.

18 E. REPAYMENT OF LOANS SHALL BEGIN EITHER AT THE TIME FEDERAL
19 REIMBURSEMENTS FOR GRADUATE MEDICAL EDUCATION PURSUANT TO TITLE XVIII AND
20 TITLE XIX OF THE SOCIAL SECURITY ACT BEGIN OR FIVE YEARS AFTER THE DATE OF
21 THE LOAN, WHICHEVER IS EARLIER, AND SHALL BE COMPLETED NO MORE THAN TEN YEARS
22 AFTER THE DATE OF THE LOAN.

23 F. THE HOSPITAL LOAN RESIDENCY FUND IS ESTABLISHED CONSISTING OF
24 LEGISLATIVE APPROPRIATIONS AND LOAN REPAYMENT MONIES. THE DIRECTOR SHALL
25 ADMINISTER THE FUND. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF
26 SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

27 G. THE PROGRAM ESTABLISHED BY THIS SECTION ENDS ON JULY 1, 2017
28 PURSUANT TO SECTION 41-3102.

29 Sec. 10. Section 36-2941, Arizona Revised Statutes, is amended to
30 read:

31 36-2941. Establishment of capitation rates

32 A. The administration shall establish capitation rates based on an
33 actuarial study for the department. The capitation rate shall be based on
34 the estimated cost of providing services pursuant to this article to members
35 who have been determined eligible pursuant to section 36-2933.

36 B. At least thirty days before finalizing the capitation rates, the
37 administration shall send written notice of the proposed capitation rates to
38 the department.

39 C. CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF
40 EXISTING SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR
41 EXPANSION OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE OR ARE
42 SPECIFICALLY REQUIRED BY FEDERAL LAW OR COURT MANDATE.

1 Sec. 11. Section 36-2959, Arizona Revised Statutes, is amended to
2 read:

3 36-2959. Reimbursement rates; capitation rates; annual review

4 A. The department shall contract with an independent consulting firm
5 for an annual study of the adequacy and appropriateness of title XIX
6 reimbursement rates to service providers for the developmentally disabled
7 program of both the Arizona long-term care system and the state only program.
8 The consultant shall also include a recommendation for annual inflationary
9 costs. The department may require, and the department's contracted providers
10 shall provide, financial data to the department in the format prescribed by
11 the department to assist in the study. A complete study of reimbursement
12 rates shall be completed no less than once every five years.

13 B. CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF
14 EXISTING SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR
15 EXPANSION OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE OR ARE
16 SPECIFICALLY REQUIRED BY FEDERAL LAW OR COURT MANDATE.

17 ~~B.~~ C. The administration shall contract with an independent
18 consulting firm for an annual study of the adequacy and appropriateness of
19 title XIX reimbursement rates to service providers for the elderly and
20 physically disabled program of the Arizona long-term care system. The
21 administration may require, and the administration's contracted providers
22 shall provide, financial data to the administration in the format prescribed
23 by the administration to assist in the study. A complete study of
24 reimbursement rates shall be completed no less than once every five years.
25 In determining the adequacy of the rates in the five year study, the
26 consulting firm shall examine in detail the costs associated with the
27 delivery of services, including programmatic, administrative and indirect
28 costs in providing services in rural and urban Arizona.

29 ~~G.~~ D. ~~Starting on October 1, 2002,~~ The department and the
30 administration shall provide each of their reports to the joint legislative
31 budget committee and the administration by October 1 of each year.

32 ~~D.~~ E. The department shall include the results of the study in its
33 yearly capitation rate request to the administration.

34 ~~E.~~ F. If results of the study are not completely incorporated into
35 the capitation rate, the ~~Arizona health care cost containment system~~
36 administration shall provide a report to the joint legislative budget
37 committee within thirty days of setting the final capitation rate, ~~discussing~~
38 INCLUDING reasons for differences between the rate and the study.

39 Sec. 12. Section 36-3403, Arizona Revised Statutes, is amended to
40 read:

41 36-3403. Powers and duties of the deputy director; study;
42 capitation rates

43 A. The deputy director may, on approval of the director:

- 1 1. Employ professional, secretarial and clerical staff as are
2 determined necessary by the director to carry out the functions and duties of
3 the division, subject to legislative appropriation.
- 4 2. Contract for the services of consultants and other persons which
5 are reasonably necessary to enable the division to carry out its functions
6 and duties, subject to legislative appropriation.
- 7 3. Contract and incur obligations which are reasonably necessary
8 within the general scope of the division.
- 9 4. Adopt rules which are necessary to carry out the requirements of
10 the division.
- 11 5. Contract or enter into intergovernmental agreements with other
12 public and private nonprofit agencies and entities.
- 13 6. Use monies, facilities or services to provide matching
14 contributions under federal or other programs which further the objectives
15 and programs of the division.
- 16 7. Accept gifts, grants, matching monies or direct payments from
17 public or private agencies or private persons and enterprises for the conduct
18 of programs which are consistent with the general purposes and objectives of
19 the division.
- 20 8. Lease at fair market value real property currently occupied by the
21 southern Arizona mental health center for the purposes of operating a private
22 nonprofit behavioral health care facility. Monies collected from the lease
23 of the real property shall be deposited into the building renewal fund
24 established pursuant to section 36-545.09.
- 25 B. The deputy director shall administer:
 - 26 1. Unified mental health programs, to include the functions of the
27 state hospital and community mental health.
 - 28 2. Addictive behavior programs to include alcohol and drug abuse.
- 29 C. Notwithstanding any other law the deputy director may waive or
30 reduce the requirements for local match.
- 31 D. The superintendent of the Arizona state hospital shall be appointed
32 by the deputy director, subject to the approval of the director, and shall
33 report directly to the deputy director.
- 34 E. The department shall contract with an independent consulting firm
35 for an annual study of the adequacy and appropriateness of title XIX
36 reimbursement rates to providers of behavioral health services. The
37 department may require, and the department's contracted providers shall
38 provide, financial data to the department in the format prescribed by the
39 department to assist in the study. A complete study of reimbursement rates
40 shall be completed no less than once every five years. The department shall
41 provide the report to the joint legislative budget committee and the Arizona
42 health care cost containment system ADMINISTRATION by October 1, 2002, and
43 BY OCTOBER 1 OF each year thereafter. The department shall include the
44 results of the study in its yearly capitation request to the Arizona health
45 care cost containment system ADMINISTRATION. If results of the study are not

1 completely incorporated into the capitation rate, the Arizona health care
2 cost containment system administration shall provide a report to the joint
3 legislative budget committee within thirty days of setting the final
4 capitation rate, ~~discussing~~ INCLUDING reasons for differences between the
5 rate and the study.

6 F. CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF
7 EXISTING SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR
8 EXPANSION OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE OR ARE
9 SPECIFICALLY REQUIRED BY FEDERAL LAW OR COURT MANDATE.

10 Sec. 13. Repeal

11 Section 36-3415, Arizona Revised Statutes, is repealed.

12 Sec. 14. Title 36, chapter 34, article 1, Arizona Revised Statutes, is
13 amended by adding a new section 36-3415, to read:

14 36-3415. Children's autism services; contracts

15 SUBJECT TO LEGISLATIVE APPROPRIATION, THE DEPARTMENT MAY PROVIDE
16 CHILDREN'S AUTISM SERVICES TO SERVE CHILDREN THROUGH FIVE YEARS OF AGE WHO
17 HAVE, OR WHO ARE AT RISK OF HAVING, AUTISM BY ENTERING INTO CONTRACTS WITH
18 THE FOLLOWING PROVIDERS FOR THE FOLLOWING SERVICES:

19 1. AN ESTABLISHED FIRM THAT SPECIALIZES IN AUTISM SERVICES AND RELATED
20 DISORDERS AND THAT EMPLOYS AT LEAST FIVE NATIONALLY BOARD CERTIFIED BEHAVIOR
21 ANALYSTS, ONE OF WHOM IS A STATE-LICENSED PSYCHOLOGIST. THE CONTRACT SHALL
22 BE FOR SERVICES THAT UTILIZE TECHNIQUES OF DISCRETE TRIAL AND NATURAL
23 ENVIRONMENT INTENSIVE BEHAVIORAL TREATMENT THROUGH APPLIED BEHAVIORAL
24 ANALYSIS.

25 2. AN AUTISM AND RESEARCH FIRM THAT IS BASED IN THIS STATE AND THAT
26 HAS RAISED AT LEAST FIFTEEN MILLION DOLLARS OF PRIVATE SECTOR MONIES. THE
27 CONTRACT SHALL BE FOR PROVIDING TODDLERS WITH AUTISM SERVICES THAT UTILIZE
28 INTENSIVE EARLY INTERVENTION.

29 Sec. 15. Section 38-654, Arizona Revised Statutes, is amended to read:

30 38-654. Special employee health insurance trust fund; purpose;
31 investment of monies; use of monies; exemption from
32 lapsing; annual report

33 A. There is established a special employee health insurance trust fund
34 for the purpose of administering the state employee health insurance benefit
35 plans. The fund shall consist of legislative appropriations, monies
36 collected from the employer and employees for the health insurance benefit
37 plans and investment earnings on monies collected from employees. The fund
38 shall be administered by the director of the department of administration.
39 Monies in the fund that are determined by the legislature to be for
40 administrative expenses of the department of administration, including monies
41 authorized by subsection D, paragraph 4 of this section, are subject to
42 legislative appropriation.

43 B. On notice from the department of administration, the state
44 treasurer shall invest and divest monies in the fund as provided by section
45 35-313, and monies earned from investment shall be credited to the fund.

1 There shall be a separate accounting of monies contributed by the employer,
2 monies collected from state employees and investment earnings on monies
3 collected from employees. Monies collected from state employees for health
4 insurance benefit plans shall be expended prior to expenditure of monies
5 contributed by the employer.

6 C. The director of the department of administration may authorize the
7 employer health insurance contributions by fund to be payable in advance
8 whether the budget unit is funded in whole or in part by state monies. By
9 July 15 each year, the joint legislative budget committee staff shall
10 determine the amount appropriated for employer health insurance
11 contributions. The department of administration may transfer to the special
12 employee health insurance trust fund in whole or in part the amount
13 appropriated to budget units for employer health insurance contributions as
14 deemed necessary.

15 D. Monies in the fund shall be used by the department of
16 administration for the following purposes for the benefit of officers and
17 employees who participate in a health insurance benefit plan pursuant to this
18 article:

19 1. To administer a health insurance benefit program for state officers
20 and employees.

21 2. To pay health insurance premiums, claims costs and related
22 administrative expenses.

23 3. To apply against future premiums, claims costs and related
24 administrative expenses.

25 4. To apply the equivalent of not more than one dollar fifty cents for
26 each employee for each month to administer applicable federal and state laws
27 relating to health insurance benefit programs and to design, implement and
28 administer improvements to the employee health insurance or benefit program.

29 E. ~~The provisions of~~ Subsection D of this section shall not be
30 construed to require that all monies in the special employee health insurance
31 trust fund shall be used within any one or more fiscal years. Any person who
32 is no longer a state employee or an employee who is no longer a participant
33 in a health insurance plan under contract with the department of
34 administration shall have no claim upon monies in the fund.

35 F. Monies deposited in or credited to the fund are exempt from the
36 provisions of section 35-190 relating to lapsing of appropriations.

37 G. Claims for services rendered prior to July 1, 1989 shall not be
38 paid from the special employee health insurance trust fund.

39 H. The department of administration shall ~~prepare~~ SUBMIT an annual
40 report on the financial activity STATUS of the special employee insurance
41 trust fund TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE
42 HOUSE OF REPRESENTATIVES, THE CHAIRPERSONS OF THE HOUSE AND SENATE
43 APPROPRIATIONS COMMITTEES AND THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF BY
44 MARCH 1 OF EACH YEAR. THE REPORT SHALL INCLUDE:

1 1. THE ACTUARIAL ASSUMPTIONS AND A DESCRIPTION OF THE METHODOLOGY USED
2 TO SET PREMIUMS AND RESERVE BALANCE TARGETS FOR THE HEALTH INSURANCE BENEFIT
3 PROGRAM FOR THE CURRENT PLAN YEAR.

4 2. AN ANALYSIS OF THE ACTUARIAL SOUNDNESS OF THE HEALTH INSURANCE
5 BENEFIT PROGRAM FOR THE PREVIOUS PLAN YEAR.

6 3. AN ANALYSIS OF THE ACTUARIAL SOUNDNESS OF THE HEALTH INSURANCE
7 BENEFIT PROGRAM FOR THE CURRENT PLAN YEAR, BASED ON BOTH YEAR-TO-DATE
8 EXPERIENCE AND TOTAL EXPECTED EXPERIENCE.

9 4. A PRELIMINARY ESTIMATE OF THE PREMIUMS AND RESERVE BALANCE TARGETS
10 FOR THE NEXT PLAN YEAR, INCLUDING THE ACTUARIAL ASSUMPTIONS AND A DESCRIPTION
11 OF THE METHODOLOGY USED.

12 Sec. 16. Section 41-1542, Arizona Revised Statutes, is amended to
13 read:

14 41-1542. Governor's council on workforce policy; duties

15 A. The governor by executive order may establish a governor's council
16 on workforce policy. If the governor establishes a governor's council on
17 workforce policy, the council shall include at least the following members:

18 1. The director of the department of commerce or the director's
19 designee.

20 2. The director of the department of economic security or the
21 director's designee.

22 3. The superintendent of public instruction or the superintendent's
23 designee.

24 4. One representative from a rural community college district who is
25 appointed by the governor.

26 5. One representative from an urban community college district who is
27 appointed by the governor.

28 6. One representative from organized labor who is appointed by the
29 governor.

30 7. Representatives from small and large businesses who are appointed
31 by the governor and who shall compose at least fifty-one per cent of the
32 total membership of the council.

33 B. The governor's council on workforce policy that is established by
34 executive order shall develop program guidelines for selection criteria and
35 program operations. These guidelines shall include the following areas:

36 1. Project application procedures.

37 2. Categories of allowable and excluded project costs.

38 3. Limitations relating to partial or total project costs and interim
39 and end of project reporting requirements.

40 4. Procedures to assure that both urban and rural economic interests
41 are addressed.

42 5. Criteria to evaluate effective use of training monies.

43 6. Criteria to determine the annual qualifying wage rate per county so
44 that the qualifying wage rate reflects current economic conditions and the
45 needs of local businesses in the county.

1 C. The governor's council on workforce policy shall meet at least four
2 times each year and shall submit a written annual report to the governor, the
3 president of the senate, and the speaker of the house of representatives AND
4 THE JOINT LEGISLATIVE BUDGET COMMITTEE by ~~July 31~~ SEPTEMBER 1 of each year.

5 This report shall include:

- 6 1. The qualifying wage rate per county.
- 7 2. THE number of businesses recruited.
- 8 3. THE number of approved applicants.
- 9 4. THE number of persons hired.
- 10 5. THE number of incumbent workers trained.
- 11 6. THE racial and ethnic background of persons trained.
- 12 7. THE number of persons trained by job skill category.
- 13 8. THE average salaries paid.
- 14 9. THE breakdown of full-time and part-time jobs.
- 15 10. THE information on the efforts to leverage other training
16 resources.

17 11. A summary of the information considered pursuant to section
18 41-1543.

19 12. THE number of grant applications denied due to either of the
20 following:

- 21 (a) Insufficient available grant money.
- 22 (b) The inability to meet the qualifying wage requirements pursuant to
23 ~~section 41-1542~~, subsection B, paragraph 6 OF THIS SECTION.

24 13. A SUMMARY OF ANNUAL SPENDING BY STATE GOVERNMENT ON WORKFORCE
25 DEVELOPMENT, INCLUDING DETAILS ON EACH STATE PROGRAM THAT PARTICIPATES IN
26 WORKFORCE DEVELOPMENT IN ANY STATE AGENCY OR COMMUNITY COLLEGE. THE REPORT
27 SHALL INCLUDE:

28 (a) ACTUAL EXPENDITURES FROM STATE, FEDERAL OR OTHER SOURCES FOR THE
29 PRIOR FISCAL YEAR, BY FUND, PROGRAM AND AGENCY AND IN TOTAL.

30 (b) ESTIMATED EXPENDITURES FROM STATE, FEDERAL OR OTHER SOURCES FOR
31 THE CURRENT FISCAL YEAR, BY FUND, PROGRAM AND AGENCY AND IN TOTAL.

32 (c) FEDERALLY MANDATED PERFORMANCE MEASURE RESULTS BY PROGRAM,
33 INCLUDING MEASURES FOR THE PREVIOUS TWO FISCAL YEARS AND FOR THE CURRENT
34 FISCAL YEAR.

35 (d) AGENCY OR STATEWIDE PERFORMANCE MEASURE RESULTS AS DESCRIBED IN
36 SUBSECTION E OF THIS SECTION BY PROGRAM, INCLUDING MEASURES FOR THE PREVIOUS
37 TWO FISCAL YEARS AND FOR THE CURRENT FISCAL YEAR.

38 (e) A STRATEGIC PLAN THAT IDENTIFIES:

39 (i) EACH WORKFORCE DEVELOPMENT PROGRAM IN THIS STATE.

40 (ii) HOW THE STATE PROGRAMS MET ALL PERFORMANCE MEASURES IN THE
41 PREVIOUS FISCAL YEAR.

42 D. EACH STATE AGENCY AND COMMUNITY COLLEGE SHALL SUBMIT TO THE
43 GOVERNOR'S COUNCIL ON WORKFORCE POLICY THE INFORMATION NECESSARY TO COMPILE
44 THE REPORT DESCRIBED IN SUBSECTION C, PARAGRAPH 13 OF THIS SECTION BY AUGUST
45 1 OF EACH YEAR.

1 E. THE GOVERNOR'S COUNCIL ON WORKFORCE POLICY SHALL COORDINATE WITH
2 STATE AGENCIES AND STATE COMMUNITY COLLEGES TO PRODUCE OUTCOME-BASED
3 PERFORMANCE MEASURES FOR ALL STATE WORKFORCE DEVELOPMENT PROGRAMS.

4 Sec. 17. Repeal

5 Laws 2004, chapter 117, sections 12 and 13 are repealed.

6 Sec. 18. County acute care contribution; fiscal year 2006-2007

7 A. Notwithstanding section 11-292, Arizona Revised Statutes, as
8 amended by this act, for fiscal year 2006-2007 for the provision of
9 hospitalization and medical care, the counties shall contribute the following
10 amounts:

11	1. Apache	\$ 268,800
12	2. Cochise	\$ 2,214,800
13	3. Coconino	\$ 742,900
14	4. Gila	\$ 1,413,200
15	5. Graham	\$ 536,200
16	6. Greenlee	\$ 190,700
17	7. La Paz	\$ 212,100
18	8. Maricopa	\$31,192,200
19	9. Mohave	\$ 1,237,700
20	10. Navajo	\$ 310,800
21	11. Pima	\$14,951,800
22	12. Pinal	\$ 2,715,600
23	13. Santa Cruz	\$ 482,800
24	14. Yavapai	\$ 1,427,800
25	15. Yuma	\$ 1,325,100

26 B. If a county does not provide funding as specified in subsection A
27 of this section, the state treasurer shall subtract the amount owed by the
28 county to the Arizona health care cost containment system and long-term care
29 system funds established by section 36-2913, Arizona Revised Statutes, from
30 any payments required to be made by the state treasurer to that county
31 pursuant to section 42-5029, subsection D, paragraph 2, Arizona Revised
32 Statutes, plus interest on that amount pursuant to section 44-1201, Arizona
33 Revised Statutes, retroactive to the first day the funding was due. If the
34 monies the state treasurer withholds are insufficient to meet that county's
35 funding requirements as specified in subsection A of this section, the state
36 treasurer shall withhold from any other monies payable to that county from
37 whatever state funding source is available an amount necessary to fulfill
38 that county's requirement. The state treasurer shall not withhold
39 distributions from the highway user revenue fund pursuant to title 28,
40 chapter 18, article 2, Arizona Revised Statutes.

41 C. Payment of an amount equal to one-twelfth of the total amount
42 determined pursuant to subsection A of this section shall be made to the
43 state treasurer on or before the fifth day of each month. On request from
44 the director of the Arizona health care cost containment system

administration, the state treasurer shall require that up to three months' payments be made in advance, if necessary.

D. The state treasurer shall deposit the amounts paid pursuant to subsection C of this section and amounts withheld pursuant to subsection B of this section in the Arizona health care cost containment system and long-term care system funds established by section 36-2913, Arizona Revised Statutes.

E. If payments made pursuant to subsection C of this section exceed the amount required to meet the costs incurred by the Arizona health care cost containment system for the hospitalization and medical care of those persons defined as an eligible person pursuant to section 36-2901, paragraph 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the director of the Arizona health care cost containment system administration may instruct the state treasurer either to reduce remaining payments to be paid pursuant to this section by a specified amount or to provide to the counties specified amounts from the Arizona health care cost containment system and long-term care system funds.

F. It is the intent of the legislature that the Maricopa county contribution pursuant to subsection A of this section be reduced in each subsequent year according to the changes in the GDP price deflator. For the purposes of this subsection, "GDP price deflator" has the same meaning prescribed in section 41-563, Arizona Revised Statutes.

Sec. 19. ALTCS; county contributions

Notwithstanding section 11-292, Arizona Revised Statutes, as amended by this act, county contributions for the Arizona long-term care system for fiscal year 2006-2007 are as follows:

1. Apache	\$ 575,600
2. Cochise	\$ 5,982,600
3. Coconino	\$ 1,727,000
4. Gila	\$ 3,508,900
5. Graham	\$ 959,300
6. Greenlee	\$ 215,200
7. La Paz	\$ 811,200
8. Maricopa	\$145,459,800
9. Mohave	\$ 8,065,900
10. Navajo	\$ 2,381,000
11. Pima	\$ 44,836,100
12. Pinal	\$ 11,262,100
13. Santa Cruz	\$ 2,295,400
14. Yavapai	\$ 10,428,000
15. Yuma	\$ 6,372,400

Sec. 20. Withholding state shared revenues; fiscal year 2006-2007

A. Based on the distribution of disproportionate share funding to county operated hospitals made pursuant to section 36-2903.01, subsection P, Arizona Revised Statutes, for fiscal year 2006-2007, the staff director of

the joint legislative budget committee shall compute amounts to be withheld from transaction privilege tax revenues for counties with a population of at least one million five hundred thousand persons pursuant to subsection B of this section.

B. Notwithstanding section 42-5029, subsection D, paragraph 2, Arizona Revised Statutes, beginning with the first monthly distribution of transaction privilege tax revenues and at the direction of the governor, the state treasurer shall withhold an amount totaling \$84,652,400 from state transaction privilege tax revenues otherwise distributable, after any amounts withheld for the county long-term care contribution for fiscal year 2006-2007 from counties with a population of at least one million five hundred thousand persons. Amounts withheld from individual counties under this subsection shall be determined pursuant to subsection A of this section.

C. In addition to the amount specified in subsection B of this section, the state treasurer may also withhold transaction privilege tax revenues in fiscal year 2007-2008 if amounts withheld pursuant to subsection B of this section for fiscal year 2006-2007 are insufficient.

D. If changes in federal policies regarding the disproportionate share funding to county operated hospitals reduce payment levels below the amount specified in the fiscal year 2006-2007 general appropriations act, the governor, after consultation with chairpersons of the house and senate appropriations committees, may direct the state treasurer to suspend withholdings of transaction privilege tax revenues specified in subsection B of this section to accommodate the federal policy change.

Sec. 21. Hospitalization and medical care contribution; fiscal year 2006-2007

A. Notwithstanding any other law, for fiscal year 2006-2007; beginning with the second monthly distribution of transaction privilege tax revenues, the state treasurer shall withhold the following amounts from state transaction privilege tax revenues otherwise distributable, after any amounts withheld for the county long-term care contribution or the county administration contribution pursuant to section 11-292, subsection P, Arizona Revised Statutes, as amended by this act, for deposit in the Arizona health care cost containment system fund established by section 36-2913, Arizona Revised Statutes, for the provision of hospitalization and medical care:

1. Apache	\$ 87,300
2. Cochise	\$ 162,700
3. Coconino	\$ 160,500
4. Gila	\$ 65,900
5. Graham	\$ 46,800
6. Greenlee	\$ 12,000
7. La Paz	\$ 24,900
8. Mohave	\$ 187,400
9. Navajo	\$ 122,800
10. Pima	\$1,115,900

1	11. Pinal	\$ 218,300
2	12. Santa Cruz	\$ 51,600
3	13. Yavapai	\$ 206,200
4	14. Yuma	\$ 183,900

5 B. If a county does not provide funding as specified in subsection A
6 of this section, the state treasurer shall subtract the amount owed by the
7 county to the Arizona health care cost containment system fund from any
8 payments required to be made by the state treasurer to that county pursuant
9 to section 42-5029, subsection D, paragraph 2, Arizona Revised Statutes, plus
10 interest on that amount pursuant to section 44-1201, Arizona Revised
11 Statutes, retroactive to the first day the funding was due. If the monies
12 the state treasurer withholds are insufficient to meet that county's funding
13 requirement as specified in subsection A of this section, the state treasurer
14 shall withhold from any other monies payable to that county from whatever
15 state funding source is available an amount necessary to fulfill that
16 county's requirement. The state treasurer shall not withhold distributions
17 from the highway user revenue fund pursuant to title 28, chapter 18, article
18 2, Arizona Revised Statutes.

19 C. Payment of an amount equal to one-twelfth of the total monies
20 prescribed pursuant to subsection A of this section shall be made to the
21 state treasurer on or before the fifth day of each month. On request from
22 the director of the Arizona health care cost containment system
23 administration, the state treasurer shall require that up to three months'
24 payments be made in advance, if necessary.

25 D. The state treasurer shall deposit the monies paid pursuant to
26 subsection C of this section in the Arizona health care cost containment
27 system fund established by section 36-2913, Arizona Revised Statutes.

28 E. In fiscal year 2006-2007, the sum of \$2,646,200 withheld pursuant
29 to subsection A or B of this section, as applicable, is allocated for the
30 county acute care contribution for the provision of hospitalization and
31 medical care services administered by the Arizona health care cost
32 containment system administration.

33 Sec. 22. Acute care; redetermination; selected population;
34 report

35 A. Notwithstanding any other law, for fiscal year 2006-2007, the
36 Arizona health care cost containment system administration shall determine
37 continued eligibility for acute care services every six months for any adult
38 who is at least twenty-one years of age and who is being redetermined for
39 temporary assistance for needy families cash benefits in the department of
40 economic security.

41 B. Acute care redeterminations pursuant to subsection A shall start on
42 the effective date of this act and shall occur simultaneously with
43 redetermination for temporary assistance for needy families cash benefits.

44 C. The administration shall report to the president of the senate, the
45 speaker of the house of representatives and the joint legislative budget

1 committee on or before February 10, 2007 on the effects through January of
2 changing the redetermination period for the population described in
3 subsection A. The report shall include the number of redetermination letters
4 sent out, the number of redetermination interviews conducted and the number
5 of redetermination interviews resulting in continued acute care benefits.

6 Sec. 23. Adoption services; family preservation projects;
7 reversion

8 Notwithstanding any other law, any unexpended and unencumbered monies
9 remaining from the \$1,000,000 appropriated to the department of economic
10 security adoption services - family preservation projects special line item
11 by Laws 2005, chapter 286, section 29 revert to the federal temporary
12 assistance for needy families block grant at the end of fiscal year
13 2005-2006.

14 Sec. 24. Arizona state hospital; privatization report

15 The department of health services shall report to the joint legislative
16 budget committee by July 1, 2007 on whether the department intends to
17 privatize the state hospital pursuant to section 36-214, Arizona Revised
18 Statutes. If the department intends to privatize the state hospital, the
19 report shall contain a time frame for issuing a request for proposals. If
20 the department decides against privatizing the state hospital, the report
21 shall include the department's rationale for not doing so.

22 Sec. 25. Child care eligibility levels; report

23 Notwithstanding section 46-803, Arizona Revised Statutes, for fiscal
24 year 2006-2007, the department of economic security may reduce maximum income
25 eligibility levels for child care assistance in order to manage within
26 appropriated and available monies. The department shall notify the joint
27 legislative budget committee of any change in maximum income eligibility
28 levels for child care within fifteen days after implementing that change.

29 Sec. 26. Competency restoration treatment; county and city
30 reimbursement; fiscal year 2006-2007; deposit; tax
31 withholding

32 A. Notwithstanding section 13-4512, Arizona Revised Statutes, for
33 counties with a population of more than eight hundred thousand persons and
34 for all cities, if the state pays the costs of a defendant's inpatient
35 competency restoration treatment pursuant to section 13-4512, Arizona Revised
36 Statutes, the city or county shall reimburse the department of health
37 services for eighty-six per cent of these costs for fiscal year 2006-2007.
38 The department shall deposit the monies, pursuant to sections 35-146 and
39 35-147, Arizona Revised Statutes, in the Arizona state hospital fund
40 established by section 36-545.08, Arizona Revised Statutes.

41 B. Each city and county shall make the reimbursements for these costs
42 as specified in subsection A of this section within thirty days after a
43 request by the department. If the city or county does not make the
44 reimbursement, the superintendent of the Arizona state hospital shall notify
45 the state treasurer of the amount owed and the treasurer shall withhold the

1 amount, including any additional interest as provided in section 42-1123,
2 Arizona Revised Statutes, from any transaction privilege tax distributions to
3 the city or county. The treasurer shall deposit the withholdings, pursuant
4 to sections 35-146 and 35-147, Arizona Revised Statutes, in the Arizona state
5 hospital fund established by section 36-545.08, Arizona Revised Statutes.

6 Sec. 27. Child care reforms; compliance; reversion

7 A. Notwithstanding any other law, the department of economic security
8 shall revert \$800,000 from its fiscal year 2006-2007 state general fund
9 operating budget in the division of employment and rehabilitation services if
10 the department of economic security has not fully implemented the provisions
11 of section 46-803, Arizona Revised Statutes, as amended by Laws 2005, chapter
12 328, section 11, and section 46-805, Arizona Revised Statutes, as amended by
13 Laws 2005, chapter 328, section 12, by January 1, 2007.

14 B. The department of economic security shall report to the joint
15 legislative budget committee when all the provisions of section 46-803,
16 Arizona Revised Statutes, as amended by Laws 2005, chapter 328, section 11,
17 and section 46-805, Arizona Revised Statutes, as amended by Laws 2005,
18 chapter 328, section 12, have been fully implemented.

19 Sec. 28. Rule making; exemptions

20 A. The department of economic security is exempt from the rule making
21 requirements of title 41, chapter 6, Arizona Revised Statutes, through
22 January 1, 2007 to implement section 46-803, Arizona Revised Statutes, as
23 amended by Laws 2005, chapter 328, section 11, and section 46-805, Arizona
24 Revised Statutes, as amended by Laws 2005, chapter 328, section 12.

25 B. The Arizona health care cost containment system administration is
26 exempt from the rule making requirements of title 41, chapter 6, Arizona
27 Revised Statutes, through January 1, 2007 to implement cost sharing measures
28 in the general appropriations act and section 31 of this act.

29 C. The department of health services is exempt from the rule making
30 requirements of title 41, chapter 6, Arizona Revised Statutes, through
31 January 1, 2007 to implement vital records fees pursuant to section 29 of
32 this act.

33 Sec. 29. Eligibility determination privatization; request for
34 proposals

35 Notwithstanding any other law, the Arizona health care cost containment
36 system administration shall issue a request for proposals and may execute a
37 contract to privatize eligibility determination and redetermination services
38 by March 31, 2007. The request for proposals shall focus on how the
39 privatization process would save the state money compared to its current
40 system of eligibility determination and redetermination. The Arizona health
41 care cost containment system administration shall submit the request for
42 proposals before release and the contract before award to the joint
43 legislative budget committee for review.

1 Sec. 30. Vital records; fees; fiscal year 2006-2007

2 The fees that are deposited in the vital records electronic systems
3 fund established by section 36-341.01, Arizona Revised Statutes, shall be
4 revised by the state registrar so that the fees generate no more than
5 \$500,000 in revenue for that fund in fiscal year 2006-2007.

6 Sec. 31. AHCCCS extraordinary operating costs reimbursement
7 recommendations; report

8 A. The Arizona health care cost containment system administration
9 shall evaluate the methodology used to reimburse hospitals for extraordinary
10 operating costs pursuant to section 36-2903.01, subsection H, paragraph 10,
11 Arizona Revised Statutes, and shall report its findings to the joint
12 legislative budget committee by October 15, 2006.

13 B. At a minimum, the report shall include:

14 1. Recommendations for revising the methodology for extraordinary
15 operating costs reimbursement, including options to reduce extraordinary
16 operating costs reimbursement among all categories of services.

17 2. An evaluation of whether certain types of hospital stays, including
18 maternity care and delivery, do not incur extraordinary operating costs and
19 should be excluded from extraordinary operating costs reimbursement.

20 3. Estimated cost savings for reduced extraordinary operating costs
21 methodologies and, if applicable, any corresponding higher costs for revised
22 reimbursements to hospitals for inpatient services related to the revised
23 extraordinary operating costs methodology.

24 4. Recommendations regarding whether certain types of services,
25 including cardiac catheters, should be reimbursed based on a fixed fee for a
26 predetermined length of stay.

27 5. Statutory changes required to implement the report's
28 recommendations.

29 C. The administration shall consider the practices of other states,
30 including the use of rates based on diagnosis related groups for both
31 inpatient and extraordinary operating costs reimbursements.

32 Sec. 32. Children's health insurance program; parents
33 eligibility; fiscal year 2006-2007

34 A. Notwithstanding any other law, for fiscal year 2006-2007, a parent
35 of a child who is eligible for or enrolled in the children's health insurance
36 program or a parent who has a child enrolled under title 36, chapter 29,
37 article 1, Arizona Revised Statutes, but who would be eligible for the
38 children's health insurance program is eligible for the children's health
39 insurance program prescribed in title 36, chapter 29, article 4, Arizona
40 Revised Statutes, and may apply for eligibility based on an income that does
41 not exceed two hundred per cent of the federal poverty level.

42 B. In determining eligibility pursuant to subsection A of this
43 section, the administration shall apply other eligibility requirements
44 pursuant to sections 36-2981 and 36-2983, Arizona Revised Statutes, and to
45 rules adopted by the administration. If the parent is determined eligible

1 pursuant to this section, except as provided in subsection C of this section,
2 all other requirements established by the administration by rule, including
3 available services, pursuant to title 36, chapter 29, article 4, Arizona
4 Revised Statutes, apply.

5 C. Persons receiving services under this section shall make premium
6 payments on a monthly basis. The director of the Arizona health care cost
7 containment system administration shall adopt rules to prescribe tiered
8 premiums based on the following:

9 1. For households with incomes of more than one hundred per cent but
10 less than one hundred fifty per cent of the federal poverty guidelines, the
11 premium is equal to three per cent of the household's net income.

12 2. For households with incomes of at least one hundred fifty per cent
13 but less than one hundred seventy-five per cent of the federal poverty
14 guidelines, the premium is equal to four per cent of the household's net
15 income.

16 3. For households with incomes of at least one hundred seventy-five
17 per cent but not more than two hundred per cent of the federal poverty
18 guidelines, the premium is equal to five per cent of the household's net
19 income.

20 D. Premiums paid pursuant to subsection C of this section shall apply
21 to the entire household unit, regardless of the number of parents or children
22 participating.

23 Sec. 33. Appropriations; residency programs; exemption

24 A. The following sums are appropriated to the Arizona health care cost
25 containment system in fiscal year 2006-2007:

26 1. \$4,000,000 from the state general fund and \$12,000,000 in total
27 expenditure authority for new and expanded graduate medical education
28 programs pursuant to section 36-2903.01, subsection H, paragraph 9, Arizona
29 Revised Statutes, as amended by this act.

30 2. \$1,000,000 from the state general fund for deposit in the hospital
31 loan residency fund as established by section 36-2921, Arizona Revised
32 Statutes, as added by this act.

33 B. The appropriations made in subsection A of this section are exempt
34 from the provisions of section 35-190, Arizona Revised Statutes, relating to
35 lapsing of appropriations.

36 Sec. 34. Community health centers; appropriation

37 The sum of \$3,000,000 is appropriated from the medically needy account
38 of the tobacco tax and health care fund established by section 36-774,
39 Arizona Revised Statutes, to the department of health services in fiscal year
40 2006-2007 for grants to community health centers.

41 Sec. 35. Appropriations; autism services; exemption

42 A. The sum of \$2,500,000 is appropriated from the medically needy
43 account of the tobacco tax and health care fund established by section
44 36-774, Arizona Revised Statutes, in fiscal year 2006-2007 for implementation
45 of autism services for the following contracts and purposes:

1 1. \$200,000 to the department of economic security for a contract for
2 training and oversight of children's autism services pursuant to section
3 36-574, Arizona Revised Statutes, as added by this act.

4 2. \$1,800,000 to the department of health services for a contract
5 pursuant to section 36-3415, paragraph 1, Arizona Revised Statutes, as added
6 by this act, for autism services that utilize techniques of discrete trial
7 and natural environment intensive behavioral treatment through applied
8 behavioral analysis.

9 3. \$500,000 to the department of health services for a contract
10 pursuant to section 36-3415, paragraph 2, Arizona Revised Statutes, as added
11 by this act, for autism services that utilize intensive early intervention.

12 B. The appropriations made in subsection A of this section are exempt
13 from the provisions of section 35-190, Arizona Revised Statutes, relating to
14 lapsing of appropriations, through June 30, 2008. Monies remaining
15 unexpended and unencumbered from the appropriations revert to the medically
16 needy account of the tobacco tax and health care fund.

17 Sec. 36. Children's autism services; evaluations; reports

18 The department of economic security and the department of health
19 services shall each conduct an evaluation of the children's autism services
20 provided pursuant to sections 36-574 and 36-3415, Arizona Revised Statutes,
21 respectively, as added by this act, and submit a report of the findings and
22 recommendations to the governor, the speaker of the house of representatives,
23 the president of the senate and the joint legislative budget committee on or
24 before March 1, 2007. The department shall provide a copy of the report to
25 the secretary of state and the director of the Arizona state library,
26 archives and public records. The report shall include at least the
27 following:

- 28 1. The number of persons receiving autism services at each setting.
29 2. The length of time each participant received autism services.
30 3. The cost of services provided to each participant by year.
31 4. The impact of the services in rural and urban areas of this state.
32 5. A recommendation on the success of the services and whether to
33 continue them on a statewide basis.

34 6. Any other information that the department of economic security or
35 the department of health services determines is necessary to help evaluate
36 the efficacy and cost effectiveness of the services.

37 Sec. 37. Health insurance premiums; department of administration

38 For fiscal year 2006-2007, the department of administration shall not
39 implement a differentiated health insurance premium based on the integrated
40 or nonintegrated status of a health insurance provider available through the
41 state employee health insurance program beginning October 1, 2006.

1 Sec. 38. Health insurance benefits; legislative approval

2 Notwithstanding any other law, the department of administration shall
3 not make changes to the benefit design of the health insurance benefit
4 program in fiscal year 2006-2007 unless those changes have been approved by
5 the legislature.

6 Sec. 39. Vital records; fund balances; appropriation

7 In addition to any other appropriation, any amount in the balance of
8 the vital records electronic systems fund established by section 36-341.01,
9 Arizona Revised Statutes, as amended by this act, is appropriated to the
10 department of health services in fiscal year 2006-2007.

11 Sec. 40. Retroactivity

12 A. Section 36-341, Arizona Revised Statutes, as added by Laws 2004,
13 chapter 117, section 8, as amended by this act, and section 36-341.01,
14 Arizona Revised Statutes, as amended by this act, apply retroactively to June
15 30, 2006.

16 B. Section 36-2903.01, Arizona Revised Statutes, as amended by this
17 act, applies retroactively to from and after June 30, 2006.

18 C. Sections 3, 16 and 22 of this act are effective retroactively to
19 June 30, 2006.

APPROVED BY THE GOVERNOR JUNE 21, 2006.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 21, 2006.